



## Speaker leads delegation to DC to lobby for end to gouging

Assembly Speaker Robert M. Hertzberg (D-Van Nuys) is leading a delegation of California lawmakers to Washington, D.C. on Monday to convince federal officials to do more to help curb electricity prices while the state moves to address its energy crisis.

"There's no good reason why the same electricity that cost Californians \$30 last year should cost \$300 this year - especially when we are using less energy and quickly bringing new power plants on line," Speaker Hertzberg said. "We intend to dispel the 'beltway-myth' that California has caused this problem, and make it crystal clear that federal officials should play a bigger role helping to address this crisis."

The Speaker hopes to persuade members of Congress, federal regulators and representatives from other Western states to support temporary cost-based prices in the wholesale electricity market.

Other members of the delegation include: Speaker pro Tem Fred Keeley (D-Boulder Creek), and Assemblymember Elaine Alquist (D-Santa Clara).

This trip is part of the Assembly's long-term strategy to correct the problems created by California's failed experiment with electricity deregulation.

"We have made it abundantly clear that we intend to do our part to solve this problem," Hertzberg said. "We have enacted the largest state conservation package in U.S. history. We have moved to speed approval of new plants, and we stepped into the power market when the utilities failed. Now, we need our counterparts in Washington to do their part."

### Davis reveals details on power purchases

Gov. Gray Davis gave details on power purchasing Monday to state legislators in an attempt to get quick approval for a \$12.5 billion bond sale to manage the state's electricity crisis, but the figures provided raised eyebrows.

The state expects to spend some \$77.7 billion on electricity over the next 10 years, which will be paid by customers of the state's three investor-owned utilities. But wholesale power prices are expected to be considerably higher than customer rates for the next two years to three years, and money from selling bonds is needed to finance that difference. Customer rates are expected to be higher than whole-

sale power market prices from 2004-2010, and the surplus revenue then will be used to pay off the bonds.

Davis wants the bonds sold by the end of June to avoid the economic ruin that passing on power market rates to businesses and homeowners would bring.

The state expects to cut sharply the rate at which it is spending money because it is moving from the expensive spot market to lower-priced long-term contracts.

Jamie Fisfis, spokesman for the Assembly Republican caucus, said that numbers Davis gave the Assembly Republicans 10 days ago differed with the numbers provided in Monday's report. After Treasurer Phil Angelides and Davis staff members met with the Republicans, State Controller Kathleen Connell, a Democrat, suggested that the state should immediately stop buying power because of the impact it is having on the budget.

The Davis administration expects to spend an average of \$195/MWh in the spot market this summer to get needed supplies not under contract. The forward power market currently estimates that spot market purchases this summer in California will average \$400/MWh for on-peak power and \$210/MWh for off-peak power.

The forward market price is inflated, according to Ron Nichols, whose firm, Navigant Consulting, produced the report for the legislature. Instead, Navigant derived its own price projections for the summer.

"Until today, I don't believe the market has a full handle on what DWR has under contract," Nichols said. "We're not purchasing that much in the super peak period."

The Davis staffers who met with lawmakers Monday, though, said they weren't creating a best-case scenario, but were including some prices for very expensive power this summer and next in their model.

### Cheney Promotes Increasing Supply as Energy Policy

Vice President Dick Cheney said today that oil, coal and natural gas would remain the United States' primary energy resources for "years down the road" and that the Bush administration's energy strategy would aim mainly to increase supply of fossil fuels, rather than limit demand.

Mr. Cheney dismissed as 1970's-era thinking the notion that "we could simply conserve or ration our way out."

The only solution, he said, is a push to find new domestic sources of oil and gas, including in protected areas of the

Arctic National Wildlife Refuge, and an all-out drive to build power plants — a need that he says will require one new electricity-generating plant a week for 20 years.

The vice president's comments seemed partly a combative response to Democrats and environmentalists who argue that the Bush administration has used California's electricity shortages as a pretext to enact energy policies that have been favored by industry executives for many years.

He estimated that the country needs 38,000 miles of new pipelines to carry natural gas.

Coal, Mr. Cheney said, has been neglected. It is the "most plentiful source of affordable energy." He said people who oppose it because of air pollution, "deny reality."

He said the most environmentally friendly way to increase energy supplies was to extend the life of existing nuclear plants and grant permits to build new ones, because they had no emissions of greenhouse gases.

Utility industry executives questioned the economic viability of building new nuclear power plants anytime soon. Environmentalists dispute Cheney's contention that nuclear power is "clean" because they say the mining and enriching of uranium and the storage of nuclear waste are hazards.

Mr. Cheney indicated that the administration would put some emphasis on energy efficiency. New technology — like computer screens that use far less power and energy-efficient light bulbs — have an important role because they can save energy without reducing living standards, he said. But he said he would oppose any measure based on the premise that Americans now "live too well" or that people should "do more with less."

### **Davis may halt feds' "power ploy"**

Gov. Gray Davis will likely reject part or all of a federal power "price mitigation" order that critics believe would harm California several ways, even allowing costs and blackouts to worsen, sources said Monday.

But the Democratic administration could look as if it was turning down the wholesale electricity price caps it has long sought from the Republican Bush administration.

Though the state would get some price relief during emergency situations, the order also proposes a new surcharge on power sales to cover generators' past unpaid bills, fails to address natural gas costs and limits a wholesale price-gouging probe in the West.

Davis spokesman Steve Maviglio confirmed only that the governor is considering his entire range of options.

Cal-ISO and the state's utilities could simply refuse to join a regional power transmission authority. The action is required for the order to stay in effect. But the state views the requirement as an illegal attempt to force it into giving up control over its grid.

FERC Chairman Curt Hebert said the order would ensure that Californians "receive necessary relief in a manner that doesn't...undermine longer-term solutions."

FERC decided that, for a year, it would regulate prices in California whenever the electricity reserves fell below 7.5 percent. The wholesale price cap would then be set at whatever it costs the most expensive generator operating at the time to produce electricity.

But critics say the commission's order only covers power bought when reserves are low, though consumer activists say generators are gouging all the time.

And, the price ceilings do not affect sales by out-of-state suppliers. It imposes only loose restrictions on brokers, letting them continue to sell and resell power for ever higher prices before it reaches the state's market.

Other provisions of the order could backfire, increasing the likelihood of blackouts this summer across the state.

One of those provisions would require utilities to identify the maximum price they can afford and detail how they would cut power if prices go above that point.

### **Powerless May**

California's journey through a difficult summer of blackouts begins with the start of May, a month state officials concede is a dangerous and unpredictable prelude to what lies ahead. And they have reason to fear. The state's electricity supplies are waning, thanks to a slew of plants going down for maintenance or repairs at the same time temperatures are rising and peak power demand is expected to jump by 32 percent.

### **PUC seeks to retain PG&E control**

Warning that California consumers and the state economy could be in grave danger, the state Public Utilities Commission urged a federal bankruptcy judge Monday not to sever the commission's regulatory control of Pacific Gas and Electric Co. On April 9, three days after filing for Chapter 11 bankruptcy protection, PG&E petitioned the Bankruptcy Court to block parts of a recent PUC order. PG&E said the provisions conflicted with bankruptcy rules and interfered with its legal right to recover skyrocketing wholesale energy costs.

### **Power marketer ordered to refund \$8 million**

In the first action of its kind during the California energy crisis, federal regulators have ordered an out-of-state electricity marketer to refund \$8 million in connection with allegations that plants were improperly shut down to hike power prices. Tulsa-based Williams Energy Marketing & Trading has agreed to pay the refund under an order issued Monday by the Federal Energy Regulatory Commission. The firm, which admitted no wrongdoing in the settlement agreement, was probed for allegedly forcing utilities to pay higher prices by taking key generating units in Long Beach and Huntington Beach offline in April and May of last year.

### **Davis calls generators on carpet**

Gov. Gray Davis has asked power generators to Sacramento next week for a meeting intended to "make sure they feel some of the pain" of the state's energy woes. Davis and other officials have portrayed the generators — who own the power plants that supply the state's electricity — as the black-hatted villains of the energy crisis. Along with the utilities and consumer groups, Davis has accused the companies of taking advantage of the energy shortage by charging exorbitant prices for their power. They have denied that. Davis said he would use the meeting to tell the companies "not to rip us off" and to be "good citizens."